

**MARRIOTT-SLATERVILLE CITY
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS
YEAR ENDED JUNE 30, 2011**

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Marriott-Slaterville City

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Marriott-Slaterville City, Utah, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Marriott-Slaterville City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Marriott-Slaterville City, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011, on our consideration of Marriott-Slaterville City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and pages 30 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marriott-Slaterville City's financial statements as a whole. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wood Richards & Associates

Ogden, UT
December 5, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MARRIOTT-SLATERVILLE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2011

INTRODUCTION

The following is a discussion and analysis of Marriott-Slaterville City's financial performance and activities for the fiscal year ending June 30, 2011.

HIGHLIGHTS

The assets of the City exceeded its liabilities at the end of the current fiscal year by \$5,301,327 (net assets). Net assets decreased by \$44,282.

The City's governmental funds reported combined ending fund balance of \$1,566,499. Of the combined total fund balance, \$183,880 is available for spending at the discretion of the City as unassigned fund balance, which represents 18.8% of the General Fund total revenues for the year.

The City has no debt obligations at this time. The City has not issued any bonds or similar debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The government-wide financial statements are comprised of the Statement of Net Assets, and the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities.) Marriott-Slaterville City's business-type activity is secondary water.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, the Governmental Funds and Proprietary Funds.

MARRIOTT-SLATERVILLE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2011

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Marriott-Slaterville City has two Governmental Funds. The General Fund is the chief operating fund of the City. All of the City's activities are reported in the General Fund unless there is a compelling reason to report an activity in some other fund type. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Marriott-Slaterville City has one Proprietary Fund. The Proprietary Fund may be used to report any activity for which a fee is charged to external users for goods or services. The Proprietary Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Marriott-Slaterville City's Enterprise Fund monitors the secondary water system.

There are several differences between government-wide and fund statements. Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements. Capital outlays result in capital assets on the government-wide statements, but are expenditures on the governmental fund statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Current and other assets	\$1,729,779	\$1,730,758	\$ 41,637	\$ 22,455	\$ 1,771,416	\$ 1,753,213
Capital assets	3,560,366	3,585,994	133,472	135,898	3,693,838	3,721,892
Total assets	5,290,145	5,316,752	175,109	158,353	5,465,254	5,475,105
Long-term liabilities						
outstanding	-	-	-	-	-	-
Other liabilities	163,280	129,140	647	356	163,927	129,496
Total liabilities	163,280	129,140	647	356	163,927	129,496
Net assets:						
Invested in capital assets,						
net of related debt	3,560,366	3,585,994	133,472	135,898	3,693,838	3,721,892
Restricted	653,082	1,371,635	-	-	653,082	1,371,635
Unrestricted	913,417	229,983	40,990	22,099	954,407	252,082
Total net assets	\$5,126,865	\$5,187,612	\$ 174,462	157,997	\$ 5,301,327	\$ 5,345,609

MARRIOTT-SLATERVILLE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2011

One component of the City's net assets, 69.7%, reflects investments in capital assets (land, buildings, equipment, and infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 24.8% of total net assets and are subject to external restrictions on how they may be used. The remaining 5.5% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

Governmental Activities and Business-Type Activities

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010
Revenues						
Program revenues:						
Charges for services	\$ 328,423	\$ 487,205	\$ 45,414	\$ 34,751	\$ 373,837	\$ 521,956
Operating grants and contributions	87,015	84,078	-	-	87,015	84,078
Capital grants and contributions	117,044	939,445	6,590	8,691	123,634	948,136
General revenues:						
Sales tax	410,641	391,661	-	-	410,641	391,661
Other taxes	28,856	26,943	-	-	28,856	26,943
Other	7,860	12,112	97	87	7,957	12,199
Total revenues	979,839	1,941,444	52,101	43,529	1,031,940	1,984,973
Expenses:						
General government	304,746	292,993	-	-	304,746	292,993
Public Safety	197,330	189,988	-	-	197,330	189,988
Highways and public improvements	287,557	163,322	-	-	287,557	163,322
Community development	128,056	167,860	-	-	128,056	167,860
Community service	122,897	117,950	-	-	122,897	117,950
Water	-	-	35,636	30,022	35,636	30,022
Total expenses	1,040,586	932,113	35,636	30,022	1,076,222	962,135
Change in net assets	(60,747)	1,009,331	16,465	13,507	(44,282)	1,022,838
Net assets - beginning	5,187,612	4,178,281	157,997	144,490	5,345,609	4,322,771
Net assets - ending	<u>\$5,126,865</u>	<u>\$5,187,612</u>	<u>\$ 174,462</u>	<u>\$ 157,997</u>	<u>\$ 5,301,327</u>	<u>\$ 5,345,609</u>

MARRIOTT-SLATERVILLE CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDING JUNE 30, 2011

The activities in the governmental funds resulted in a decrease in net assets of \$60,747 for the year.

The business-type activity's net assets increased by \$16,465. The Proprietary Fund is generating sufficient revenue to cover operating costs.

Capital Assets

Marriott-Slaterville City added \$44,591 in new capital assets in governmental activities during the fiscal year. The major expenditures consisted of park improvements.

Fund Balances

The fund balance in the General Fund was decreased by \$55,182. This decrease includes a \$25,840 transfer to the Capital Projects Fund.

During the fiscal year, the fund balance in the Capital Projects Fund increased \$20,063.

Long-Term Debt

The City currently has no long-term debt.

General Fund Budgets

Marriott-Slaterville City prepares its budget according to state statutes. The General Fund was adjusted during the year to meet the needs of growth in the City.

Actual General Fund revenues were \$84,549 over the original budget and \$10,302 over the final adjusted budget. Actual General Fund expenses before transfers were \$190,964 below the original budget and \$201,069 below the final adjusted budget.

ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Marriott-Slaterville City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or any other matters related to the City's finances should be addressed to Marriott-Slaterville City, 1570 West 400 North, Marriott-Slaterville, Utah 84404.

BASIC FINANCIAL STATEMENTS

MARRIOTT-SLATERVILLE CITY

STATEMENT OF NET ASSETS

JUNE 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 812,200	\$ 44,470	\$ 856,670
Due from other governmental units	100,435	-	100,435
Receivables (net of allowance for uncollectible accounts)	32,969	8,260	41,229
Note receivable	120,000	-	120,000
Interfund borrowing	11,093	(11,093)	-
Restricted assets:			
Cash and cash equivalents	653,082	-	653,082
Capital assets:			
Water stock	-	21,500	21,500
Land	1,350,051	-	1,350,051
Infrastructure	403,116	-	403,116
Buildings	1,023,827	-	1,023,827
Improvements	1,043,436	121,290	1,164,726
Machinery and equipment	48,423	-	48,423
Less accumulated depreciation	(308,487)	(9,318)	(317,805)
Total capital assets, net	3,560,366	133,472	3,693,838
Total assets	5,290,145	175,109	5,465,254
LIABILITIES			
Accounts payable	102,801	647	103,448
Accrued liabilities	7,704	-	7,704
Deferred revenue	52,775	-	52,775
Total liabilities	163,280	647	163,927
NET ASSETS			
Investment in capital assets, net of related debt	3,560,366	133,472	3,693,838
Restricted net assets	653,082	-	653,082
Unrestricted net assets	913,417	40,990	954,407
TOTAL NET ASSETS	<u>\$ 5,126,865</u>	<u>\$ 174,462</u>	<u>\$ 5,301,327</u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General Government	\$ 304,746	\$ 58,048	\$ -	\$ -	\$ (246,698)	\$ -	\$ (246,698)
Community Development	128,056	138,075	-	3,128	13,147	-	13,147
Highways and Public Improvements	287,557	-	83,792	93,298	(110,467)	-	(110,467)
Community Service	122,897	68,407	-	19,792	(34,698)	-	(34,698)
Public Safety	197,330	63,893	3,223	826	(129,388)	-	(129,388)
Total governmental activities	<u>1,040,586</u>	<u>328,423</u>	<u>87,015</u>	<u>117,044</u>	<u>(508,104)</u>	<u>-</u>	<u>(508,104)</u>
Business-type activities:							
Secondary water	35,636	45,414	-	6,590	-	16,368	16,368
Total business-type activities	<u>35,636</u>	<u>45,414</u>	<u>-</u>	<u>6,590</u>	<u>-</u>	<u>16,368</u>	<u>16,368</u>
Total primary government	<u>\$ 1,076,222</u>	<u>\$ 373,837</u>	<u>\$ 87,015</u>	<u>\$ 123,634</u>	<u>(508,104)</u>	<u>16,368</u>	<u>(491,736)</u>
General revenues:							
Taxes and special assessments:							
Occupancy and room tax					24,631	-	24,631
Sales					410,641	-	410,641
Franchise					4,225	-	4,225
Unrestricted investment earnings					7,860	97	7,957
Total general revenues and transfers					<u>447,357</u>	<u>97</u>	<u>447,454</u>
Change in net assets					(60,747)	16,465	(44,282)
Net assets - beginning					<u>5,187,612</u>	<u>157,997</u>	<u>5,345,609</u>
Net assets - ending					<u>\$ 5,126,865</u>	<u>\$ 174,462</u>	<u>\$ 5,301,327</u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY**BALANCE SHEET
GOVERNMENTAL FUNDS****JUNE 30, 2011**

	General Fund	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 151,825	\$ 660,375	\$ 812,200
Due from other governmental units	100,435	-	100,435
Due from Secondary Water Fund	11,093	-	11,093
Note receivable	120,000	-	120,000
Receivables (net of allowance for uncollectible accounts)	32,969	-	32,969
Restricted assets:			
Cash and cash equivalents	653,082	-	653,082
Total assets	<u>\$ 1,069,404</u>	<u>\$ 660,375</u>	<u>\$1,729,779</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 102,801	\$ -	\$ 102,801
Accrued liabilities	7,704	-	7,704
Deferred revenue	52,775	-	52,775
Total liabilities	<u>163,280</u>	<u>-</u>	<u>163,280</u>
Fund balances:			
Restricted for:			
Class "C" Roads	221,329	-	221,329
Sewer Maintenance	77,564	-	77,564
Impact Fees	113,507	-	113,507
Long-term Note Receivable	65,595	-	65,595
Liquor Law Enforcement	15,023	-	15,023
EPA Storm Water	225,659	-	225,659
Committed for:			
Senior Citizens	3,567	-	3,567
Assigned for:			
Capital Projects	-	660,375	660,375
Unassigned	183,880	-	183,880
Total fund balances	<u>906,124</u>	<u>660,375</u>	<u>1,566,499</u>
Total liabilities and fund balances	<u>\$ 1,069,404</u>	<u>\$ 660,375</u>	<u>\$1,729,779</u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total fund balances - governmental funds: \$ 1,566,499

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported in the
governmental funds, but they are reported in the Statement
of Net Assets. Capital assets consist of the following:

Land	\$ 1,350,051	
Infrastructure	403,116	
Buildings	1,023,827	
Improvements	1,043,436	
Machinery and equipment	48,423	
Accumulated depreciation	<u>(308,487)</u>	
		<u>3,560,366</u>

Net assets of governmental activities		<u><u>\$ 5,126,865</u></u>
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The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 439,497	\$ -	\$ 439,497
Licenses and permits	61,528	-	61,528
Intergovernmental revenue	185,990	-	185,990
Charges for services	82,047	-	82,047
Fines and forfeitures	63,893	-	63,893
Miscellaneous revenue	146,883	-	146,883
Total revenues	<u>979,838</u>	<u>-</u>	<u>979,838</u>
EXPENDITURES			
Current:			
General government	241,578	-	241,578
Public safety	197,330	-	197,330
Highways and public improvements	279,495	-	279,495
Community services	122,897	-	122,897
Community development	167,880	-	167,880
Capital outlay:			
Capital improvements	<u>-</u>	<u>5,777</u>	<u>5,777</u>
Total expenditures	<u>1,009,180</u>	<u>5,777</u>	<u>1,014,957</u>
Excess (deficiency) of revenues over expenditures	<u>(29,342)</u>	<u>(5,777)</u>	<u>(35,119)</u>
Other financing sources (uses)			
Transfers in	-	25,840	25,840
Transfers out	<u>(25,840)</u>	<u>-</u>	<u>(25,840)</u>
Total other financing sources and uses	<u>(25,840)</u>	<u>25,840</u>	<u>-</u>
Excess (deficiency) of revenues/sources over (under) expenditures/uses	(55,182)	20,063	(35,119)
Fund balances - beginning of year	<u>961,306</u>	<u>640,312</u>	<u>1,601,618</u>
Fund balances - end of year	<u><u>\$ 906,124</u></u>	<u><u>\$ 660,375</u></u>	<u><u>\$1,566,499</u></u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Amounts reported for governmental activities in the Statement of
Activities are different because:

Net changes in fund balances - total governmental funds	\$	(35,119)
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Governmental funds report capital outlays as expenditures.

However, in the Statements of Activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense. This is the amount by
which depreciation exceeded capital outlays in the current
period.

Capital outlays	\$	44,591	
Depreciation expense		<u>(70,219)</u>	<u>(25,628)</u>

Change in net assets of governmental activities			<u>\$</u> <u>(60,747)</u>
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The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

JUNE 30, 2011

	Secondary Water
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 44,470
Accounts receivable	8,260
Total current assets	<u>52,730</u>
Noncurrent assets:	
Fixed assets	142,790
Less: Accumulated depreciation	<u>(9,318)</u>
Total noncurrent assets	<u>133,472</u>
Total assets	<u>186,202</u>
LIABILITIES	
Accounts payable	647
Due to General Fund	<u>11,093</u>
Total liabilities	<u>11,740</u>
NET ASSETS	
Investment in capital assets, net of related debt	133,472
Unrestricted net assets	<u>40,990</u>
TOTAL NET ASSETS	<u><u>\$ 174,462</u></u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Secondary Water</u>
Operating revenues:	
Charges for services	\$ 45,414
Total operating revenues	<u>45,414</u>
Operating expenses:	
Salaries	5,661
Administrative	992
Depreciation	2,426
Maintenance	<u>26,557</u>
Total operating expenses	<u>35,636</u>
Operating income	<u>9,778</u>
Nonoperating revenue:	
Interest	97
Impact fees	<u>6,590</u>
Total nonoperating revenue	<u>6,687</u>
Change in net assets	16,465
Total net assets - beginning of year	<u>157,997</u>
Total net assets - end of year	<u><u>\$ 174,462</u></u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Secondary Water
Cash Flows From Operating Activities	
Receipts from customers	\$ 41,854
Payments to suppliers and employees	(32,919)
Net cash provided (used) by operating activities	8,935
Cash Flows From Noncapital Financing Activities	
Transfers from other funds	520
Net cash provided (used) by noncapital financing activities	520
Cash Flows From Capital and Related Financing Activities	
Receipts for impact fees	6,590
Net cash provided (used) by capital and related financing activities	6,590
Cash Flows From Investing Activities	
Interest and dividends received	97
Net cash provided by investing activities	97
Net increase (decrease) in cash and cash equivalents	16,142
Cash and cash equivalents, July 1	28,328
Cash and cash equivalents, June 30	\$ 44,470

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Secondary Water</u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 9,778
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	2,426
(Increase) decrease in accounts receivable	(3,560)
Increase (decrease) in accounts payable	<u>291</u>
Total adjustments	<u>(843)</u>
Net cash provided (used) by operating activities	<u><u>\$ 8,935</u></u>
 Noncash Investing, Capital and Financing Activities:	
Contribution of capital assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Marriott-Slaterville City, Utah conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The City has adopted the provisions of the Governmental Accounting Standards Board (GASB). Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

The following is a summary of the more significant policies and is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

Marriott-Slaterville City was incorporated July 1, 1999, in the State of Utah. The City operates under a Council/Mayor form of government and provides the following services as authorized by its charter: Public safety (police and fire), public utilities (sewer), sanitation, highways and streets, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The criteria set forth by generally accepted accounting principles (GAAP) was used to determine which entities to include in this report. GASB Concepts Statement-1 (Objectives of Financial Reporting) concludes that the basic foundation for governmental financial reporting is accountability. The Concepts Statement asserts that accountability requires governments to answer to the citizenry - to justify the raising of public resources and the purposes for which they are used. In turn, the concept of accountability becomes the basis for defining the financial reporting entity. Under GASB-14 (The Financial Reporting Entity) the financial reporting entity consists of the following:

1. The primary government
2. Organizations for which the primary government is financially accountable
3. Other organizations that, because of the nature and significance of their relationship with the primary government, exclusion from the reporting entity would render the financial statements misleading or incomplete.

On October 21, 2004, the City established the Pioneer Special Service District. The Board of Directors of the Special Service District include members of the City Council. The Pioneer Special Service District is presented as a blended component unit.

Blended component units, although legally separate entities, are in substance part of the government's operations. They are reported as part of the primary government and blended with the appropriate funds.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government. Primary government activities are distinguished between *governmental* and *business-type* activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. Statements are provided for *governmental funds*. For governmental funds, the emphasis is on *major funds*, with each displayed in a separate column.

The City reports the following major governmental funds:

General Fund - This fund is the principal operating fund of the City. It is used to account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for financial resources to be used for the construction of major capital projects.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (continued)

The City reports the following major proprietary fund:

Water Fund - The water fund is used to account for operations of the water system, (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the related liability is incurred, regardless of the timing of the cash flows. Taxes and fees are recognized in the year in which the related sales or other activity has occurred. Grants and similar items are recognized as revenue when all eligibility requirements have been met.

The governmental fund financial statements are prepared and reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are generally recorded when the related liability is incurred.

Proprietary funds separate operating and non-operating revenues and expenses. Operating revenues and expenses normally arise from providing goods and services in connection with the fund's normal ongoing operations. The principal sources of operating revenues for the proprietary funds are charges to customers for goods and services. Operating expenses include the cost of sales and services, administrative overhead expenses and depreciation on capital assets. All other revenues or expenses are recorded as non-operating.

The City has adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*. Accordingly, the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 20, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Consequently, the City does not apply FASB pronouncements issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

D. Assets, Liabilities, and Fund Balances/Net Assets

The following are the City's significant policies regarding recognition and reporting of certain assets, liabilities, and equity.

Pooled Cash and Temporary Investments

Unrestricted and restricted cash balances of both funds are combined to form a pool of cash which is managed by the City Treasurer. Utah State Statutes allow for investments in the Utah Public Treasurer's Investment Fund and Utah Money Management Act (UMMA) approved financial institutions. The UMMA provides for a committee to evaluate financial institutions and provide a list of those qualified as depositories for public funds, including the amount they are authorized to maintain over and above insured amounts. The City Treasurer invests unrestricted and restricted cash with the Utah Public Treasurer's Investment Fund and with local financial institutions. Investments in the pooled cash fund consist primarily of certificates of deposit, repurchase agreements, and time deposits and are carried at cost which approximates market value. Interest income earned as a result of pooling is distributed to the appropriate funds based on month end balances of cash. The City considers all highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

No significant inventories are maintained by the City, therefore none are reflected in these statements.

Restricted Assets

Certain resources set aside as reserves in accordance with council resolutions and State statutes are classified as restricted assets on the balance sheet because their use is limited.

Capital Assets

General capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds. Capital assets are reported in the governmental column in the government-wide financial statements. All purchased fixed assets are valued at cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Capital assets are defined as assets with an initial, individual cost of more than \$5,000.

Infrastructure capital assets which are newly constructed are capitalized.

Depreciation of all exhaustible capital assets is charged as an expense in the related program. Accumulated depreciation is reported on the Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Improvements	25-50 years
Equipment	5-7 years
Infrastructure	25-50 years

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Fund Balances/Net Assets (Continued)

Long-term Obligations

In the government-wide statements, long-term debt obligations are reported as liabilities.

The face amount of debt issued is reported as other financing sources in the governmental fund financial statements.

Equity

Fund financial statements:

In February 2009, GASB issued Statement No. 54 on Fund Balance Reporting and Governmental Fund Type Definitions. The statement is effective for years beginning after June 15, 2010. The statement applies only to governmental fund financial statements and not to government-wide statements or proprietary fund statements. Proprietary fund equity is classified the same as in the government-wide statements. The governmental fund balances may be classified as follows:

- a. Non-spendable - Fund balances that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted fund balance - Fund balances are reported as restricted when they are constrained by externally imposed legal restrictions, by law through constitutional provision or enabling legislation, or of restrictions set by creditors, grantors, or contributors.
- c. Committed fund balance - Fund balances are reported as committed when the Council formally designates the use of resources by ordinance or resolution for a specific purpose and cannot be used for any other purpose unless the City Council likewise formally changes the use.
- d. Assigned fund balance - Fund balances are reported as assigned when the City Council or Management intends to use funds for a specific purpose. Normally funds are assigned by the appropriation process of setting the budget. Additionally, funds in special revenue, debt service, and capital project funds are by their nature assigned to the purpose of those respective funds.
- e. Unassigned fund balance - Fund balances in the general fund are reported as unassigned when they are neither restricted, committed, nor assigned. They may be used for any governmental purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless City Council has provided otherwise in its commitment or assignment actions.

Government-wide statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Fund Balances/Net Assets (Continued)

- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Revenues and Expenditures

The following are the City's significant policies related to recognition and reporting of certain revenues, expenditures, and interfund activity.

Revenue Availability

Under the modified accrual basis of accounting, revenues are considered to be "available" when they are collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues, if applicable, to be available if they are collected within 60 days after the end of the current year. Grants and similar items are recognized as revenue when all eligibility requirements have been met. All other revenues, including sales taxes, are considered to be available if they are collected within 60 days after year-end.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the City generally uses restricted resources first, then unrestricted resources.

F. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for both the General and Capital Projects funds. All annual appropriations lapse at the fiscal year end. Encumbrance accounting is not used by the City.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

Summary of City Budget Procedures and Calendar

1. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance.
2. Budgets are required by the State of Utah for both the General and Capital Project Funds.
3. Each year the City publishes a separate budget document prepared according to this legal level of control.
4. The City's budget is a Financial Plan of all estimated revenues and all appropriations for expenditures. Revenues and Expenditures must balance for the funds required by the State Code as indicated in item 2 above.
5. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than June 22.
6. The tentative budget is a public record and is available for inspection at the City offices for at least ten days prior to adoption of the final budget.
7. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing.
8. The public hearing on the tentatively adopted budget is held no later than June 22. Final adjustments are made to the tentative budget by the Council after the public hearing.
9. Occasionally the City Council will exercise their option to open the budget to indicate additional financing sources that become available.
10. The final budget is adopted by ordinance before June 22 and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.
11. In connection with budget adoption:
 - a. An annual tax ordinance establishing the property tax rate is adopted before June 22 if applicable.
 - b. The City Treasurer is to certify the property tax rate to the County Auditor before June 22 if applicable.
12. Budgets for the General and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Summary of Action Required for Budget Changes:

The Council may, by resolution, transfer unexpended appropriations from one department to another department within the same fund. The budget appropriation for any department may be reduced by resolution. Fund budgets may be increased by resolution after a public hearing.

Current Year Excess of Expenditures Over Appropriations:

For the year ended June 30, 2011, expenditures did not exceed appropriations.

G. Compensated Absences

City policy provides for vested or accumulated vacation leave. There was no significant accrual at June 30, 2011.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Restricted Resources

The City's policy is to use restricted resources first to fund appropriations when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits

The City's deposits are carried at cost.

At June 30, 2011, the carrying amount of the City's deposits was \$479,946. The bank balance was \$495,713, of which \$412,286 was covered by NCUA and FDIC depository insurance. The remaining \$81,427 balance was uninsured and uncollateralized.

B. Investments

At year-end investments consist of funds in the Utah Public Treasurer's Investment Fund. This investment is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. The investment is not categorized as to credit risk because it does not represent a security that exists in physical or book entry form. Investments are carried at cost which approximates their fair value.

Investments not subject to categorizations:

	Carrying Amount	Market Value
Utah Public Treasurer's Investment Fund	\$ 1,029,806	\$ 1,036,024

C. Summary

Deposits	\$ 479,946
Investment in Utah Public Treasurer's Investment Fund	1,029,806
Total deposits and investments	<u>\$ 1,509,752</u>
Equity in pooled cash and investments - general fund	\$ 812,200
Equity in pooled cash and investments - secondary water fund	44,470
Restricted cash - general fund	653,082
Total deposits and investments	<u>\$ 1,509,752</u>

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposit and Investment Risk Disclosure. Deposits and investments for Marriott-Slaterville City are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

Custodial credit risk - deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commission of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2011 were \$495,713, of which \$412,286 was insured under NCUA and FDIC depository insurance.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for limiting credit risk for investments is to comply with the Money Management Act. The City is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized basis. The income, gains and losses, net of administrative fees, of the PTIF are allocated based upon the participant's average daily balance. The PTIF pool has not been rated.

Credit risk. Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

MARRIOTT-SLATERVILLE CITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	(Deletions)	Balance June 30, 2011
<u>PRIMARY GOVERNMENT</u>				
GOVERNMENTAL ACTIVITIES				
Nondepreciated Assets				
Land	\$ 1,350,051	\$ -	\$ -	\$ 1,350,051
Total nondepreciated assets	<u>1,350,051</u>	<u>-</u>	<u>-</u>	<u>1,350,051</u>
Depreciated Assets				
Infrastructure	403,116	-	-	403,116
Buildings	1,023,827	-	-	1,023,827
Improvements	998,846	44,591	-	1,043,437
Machinery and equipment	48,423	-	-	48,423
Total depreciated assets	<u>2,474,212</u>	<u>44,591</u>	<u>-</u>	<u>2,518,803</u>
Less accumulated depreciation				
Infrastructure	(17,918)	(8,062)	-	(25,980)
Buildings	(119,536)	(25,595)	-	(145,131)
Machinery and equipment	(15,889)	(5,822)	-	(21,711)
Improvements	(84,926)	(30,740)	-	(115,666)
Total	<u>(238,269)</u>	<u>(70,219)</u>	<u>-</u>	<u>(308,488)</u>
Net assets depreciated	<u>2,235,943</u>	<u>(25,628)</u>	<u>-</u>	<u>2,210,315</u>
Governmental activities capital assets, net	<u><u>\$ 3,585,994</u></u>	<u><u>\$ (25,628)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,560,366</u></u>
BUSINESS-TYPE ACTIVITIES				
Nondepreciated Assets				
Water stock	\$ 21,500	\$ -	\$ -	\$ 21,500
Total nondepreciated assets	<u>21,500</u>	<u>-</u>	<u>-</u>	<u>21,500</u>
Depreciated Assets				
Improvements - non building	121,290	-	-	121,290
Total depreciated assets	<u>121,290</u>	<u>-</u>	<u>-</u>	<u>121,290</u>
Less accumulated depreciation	<u>(6,892)</u>	<u>(2,426)</u>	<u>-</u>	<u>(9,318)</u>
Net assets depreciated	<u>114,398</u>	<u>(2,426)</u>	<u>-</u>	<u>111,972</u>
Business-type activities capital assets, net	<u><u>\$ 135,898</u></u>	<u><u>\$ (2,426)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 133,472</u></u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions as follows:

	Governmental Types	Business Types	Total
Infrastructure	\$ 8,062	\$ -	\$ 8,062
General government	57,389	-	57,389
Community Development	4,768	-	4,768
Secondary water	-	2,426	2,426
TOTAL	<u><u>\$ 70,219</u></u>	<u><u>\$ 2,426</u></u>	<u><u>\$ 72,645</u></u>

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 4 - RESTRICTED FUND BALANCE/NET ASSETS

Restricted for Class "C" Road - This represents the excess of Class "C" Road funds received over the amount spent.

Restricted for Impact Fees - This represents the excess Impact Fees funds received over the amount spent.

Restricted for Liquor Law Enforcement - This represents State Liquor Funds received over the amount spent.

Restricted for Sewer Maintenance - This represents fees assessed to be used for sewer line maintenance.

Restricted for EPA Storm Water - This represents EPA Storm Water assessments collected over the amount spent.

NOTE 5 - RISK MANAGEMENT

Marriott-Slaterville City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance and participate in a public entity risk pool – the Utah Government Trust. The City maintains comprehensive insurance coverage in aggregate amounts sufficient to protect against all reasonably foreseeable liability risks. Specific liability policies purchased include automobile, general liability, property bond (employee dishonesty), treasurer, public officials and officers, excess liability, and workman's compensation. As of June 30, 2011, there is no anticipation of unpaid claims. Therefore, a liability is not accrued. Settlement amounts have not exceeded coverage for the current year or the three prior years.

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS

Plan Description. Marriott-Slaterville City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System and Public Safety Retirement System for employers with Social Security coverage, cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes general-purpose financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System, Marriott-Slaterville City is required to contribute 13.37% of plan members annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 6 - PENSION PLANS AND RETIREMENT BENEFITS (CONTINUED)

Local Governmental System - Noncontributory

Actual City Contributions Made, by year - Employer:

2011	\$ 18,818
2010	17,366
2009	15,247

401K Plan - Contributions Made, by year - Employee:

2011	\$ 7,268
2010	7,677
2009	6,688

401K Plan - Contributions Made, by year - Employer:

2011	\$ 8,445
2010	8,936
2009	7,873

NOTE 7 - POST-EMPLOYMENT BENEFITS

Marriott-Slaterville City provides no post-employment benefits for employees, other than COBRA requirements.

NOTE 8 - BUDGETED CHANGES IN GENERAL FUND BALANCE

In compliance with Section 10-6-110 of the Utah State Code, Marriott-Slaterville City has balanced their budget for the year ended June 30, 2011. The following provides a detail of the budgeted increases (decreases) in restricted fund balances.

Budgeted decrease - Class "C" road	\$ (225,000)
Budgeted decrease - Impact fees	(23,500)
Budgeted increase - General fund	<u>(25,253)</u>
Budgeted decrease in reserved fund balances	<u><u>\$ (273,753)</u></u>

NOTE 9 - INTERFUND TRANSFERS

During the year ended June 30, 2011, budget interfund operating transfers were as follows:

Transfers from General Fund	\$ (25,840)
Transfers to Capital Projects Fund	<u>25,840</u>
	<u><u>\$ -</u></u>

MARRIOTT-SLATERVILLE CITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 10 - NOTE RECEIVABLE

On October 22, 2010, Marriott-Slaterville City issued a note receivable to a business owner residing in the City. The note was issued to settle and resolve any claims that the resident had against the City for negative economic impact upon their business during a City road project. The note was for a total of \$120,000, distributed in four equal amounts. The note began accruing interest at 2.00% on July 1, 2011 and the first principal and interest payment was scheduled for August 1, 2011. As of the date of the management representation letter, no payments had been made on the note. The resident has the option to convert the note to a down payment in the advent they were to sell the property where the business is located to the City. The City should be protected against loss on the note receivable by placing a lien on the property of the business, however, it would not be able to collect on the lien until the property was sold.

REQUIRED SUPPLEMENTARY INFORMATION

MARRIOTT-SLATERVILLE CITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -

BUDGET AND ACTUAL - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES:				
Taxes				
Sales tax	\$ 400,000	\$ 400,000	\$ 410,641	\$ 10,641
Franchise tax	4,269	4,269	4,225	(44)
Occupancy and room taxes	20,000	25,000	24,631	(369)
Total taxes	424,269	429,269	439,497	10,228
Licenses and Permits				
Business licenses	19,000	23,000	24,272	1,272
Beer licenses	2,000	2,200	1,878	(322)
Building permits	30,000	13,000	11,278	(1,722)
State building fee	300	130	110	(20)
Community development fees	25,000	8,000	5,921	(2,079)
Impact fees	50,000	23,500	18,069	(5,431)
Total licenses and permits	126,300	69,830	61,528	(8,302)
Charges for Services				
Solid waste	58,000	62,000	66,337	4,337
Administrative department	500	12,700	13,195	495
Community services	2,500	2,600	2,515	(85)
Total departmental	61,000	77,300	82,047	4,747
Intergovernmental				
Class "C" Road	80,075	175,075	83,792	(91,283)
Liquor fund	4,000	3,400	3,223	(177)
Grants	6,000	7,000	98,975	91,975
Total intergovernmental	90,075	185,475	185,990	515
Fines & Forfeitures	60,000	62,000	63,893	1,893
Miscellaneous revenues				
Interest earnings	12,000	8,000	7,859	(141)
Sewer maintenance	24,445	30,072	30,645	573
EPA storm water utility	87,000	90,000	94,476	4,476
Park and building rental	6,200	7,000	6,870	(130)
Other	4,000	10,590	7,033	(3,557)
Total miscellaneous revenues	133,645	145,662	146,883	1,221
Total revenues	895,289	969,536	979,838	10,302
EXPENDITURES:				
General government				
Legislative	7,250	6,550	6,000	550
Judicial	2,500	1,000	2,230	(1,230)
Executive	7,500	7,500	7,500	-
Administration				
Salaries	124,377	124,377	117,292	7,085
Independent auditor	9,000	9,000	8,803	197
Employee benefits	55,500	55,500	58,211	(2,711)
General operations	52,500	51,250	41,542	9,708
Total general government	258,627	255,177	241,578	13,599

MARRIOTT-SLATERVILLE CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES TO FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<u>EXPENDITURES (Continued):</u>				
Public safety				
Sheriff	\$ 189,000	\$ 189,000	\$ 186,739	\$ 2,261
Animal services	12,000	13,500	10,591	2,909
Total public safety	201,000	202,500	197,330	5,170
Highways and public improvement				
Class "C" Road	400,000	400,000	279,495	120,505
Total highways and public improvement	400,000	400,000	279,495	120,505
Community services				
Solid waste	56,000	64,000	58,439	5,561
Parks	40,000	40,000	30,014	9,986
Recreation	4,000	1,500	195	1,305
Other community activities	33,100	35,100	34,249	851
Total community services	133,100	140,600	122,897	17,703
Community development				
Ramp expense - Parks	6,000	5,500	225	5,275
Engineer and surveyor	21,000	12,000	7,768	4,232
Planning	800	-	-	-
Public works	2,000	6,800	5,698	1,102
Inspector	10,934	10,934	10,938	(4)
EPA storm water program	111,283	92,508	68,541	23,967
Sewer maintenance	30,000	30,000	24,073	5,927
Impact fee expenditures	20,000	47,000	44,591	2,409
Other	5,400	7,230	6,046	1,184
Total community development	207,417	211,972	167,880	44,092
Total expenditures	1,200,144	1,210,249	1,009,180	201,069
Excess (deficiency) of revenues over expenditures	(304,855)	(240,713)	(29,342)	211,371
<u>OTHER FINANCING SOURCES (USES):</u>				
Operating Transfers Out	(16,145)	(33,040)	(25,840)	7,200
Total other financing sources (uses)	(16,145)	(33,040)	(25,840)	7,200
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(321,000)	(273,753)	(55,182)	218,571
Fund balance - beginning of year	961,306	961,306	961,306	-
Fund balance - end of year	\$ 640,306	\$ 687,553	\$ 906,124	\$ 218,571

AUDITORS' REPORTS & FINDINGS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Mayor and City Council
Marriott-Slaterville City

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Marriott-Slaterville City as of and for the year ended June 30, 2011, which collectively comprise Marriott-Slaterville City's basic financial statements and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Marriott-Slaterville City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marriott-Slaterville City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marriott-Slaterville City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marriott-Slaterville City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

December 5, 2011
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We noted certain other matters that we reported to management of Marriott-Slaterville City, in a separate letter dated December 5, 2011.

This report is intended solely for the information and use of management and the Mayor, City Council, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, UT
December 5, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
IN ACCORDANCE WITH THE *STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE*

The Honorable Mayor and City Council
Marriott-Slaterville City, Utah

We have audited Marriott-Slaterville City's compliance with general and major state program compliance requirements described in *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2011. The general compliance requirements applicable to the City are identified as follows:

Public Debt	Liquor Law Enforcement
Cash Management	Purchasing Requirements
C Road Funds	Budgetary Compliance
Other General Compliance Issues	Uniform Building Code Standards
Impact Fees	URS Compliance
Fund Balance	

The City received the following major assistance programs from the State of Utah:

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above could have a material effect on the major assistance programs or general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, Marriott-Slaterville City, Utah, complied, in all material respects, with the general compliance requirements identified above and the compliance requirements that are applicable to each of its major state programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with the State of Utah Legal Compliance Audit Guide and which is described in the accompanying schedule of finding as items #11-01.

Independent Auditor's Report on State Legal Compliance
Page 2

Management's response to the finding identified in our audit is described in the schedule of findings. We did not audit the management's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the City, the City Council, the Mayor, and the Office of the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Wood Richards & Associates

December 5, 2011

**MARRIOTT-SLATERVILLE CITY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

State Compliance Findings

Finding #11-01: Utah Code Section 58-56 requires a Building Permit Fee Surcharge Report to be filed within 30 days of the end of each quarter. We noted that the City had not filed one of these reports.

Recommendation: We recommend the City file the missing report and in the future file all quarterly Building Permit Fee Surcharge Reports within 30 days following the end of each quarter.

Response: The City agrees with the recommendation and will file the necessary report.